

# Annual Report 2001/02

**INTERNATIONAL LEASING & FINANCE CO., LTD.**  
(A joint Venture with KDB Capital Corporation – Korea)

**Report of FY 2001/2002 (2058/59 B.S.) presented by**  
**The Chairman Mr. Siddheshwar Kumar Singh**  
**On behalf of board of directors in**  
**The Seventh Annual General Meeting**

**Dear shareholders,**

It gives me immense pleasure and a sense of gratification for having this prestigious opportunity to welcome all of you in this seventh Annual General Meeting of International Leasing & Finance Co., Ltd. I believe that this gathering will be a very fruitful one as in the previous years for the further upliftment of the company. Now, with a belief that all of you have gone through the audited financial results of the company, I would like to present the Board of directors' report for this fiscal year.

**Board of Directors**

I would like to inform this gathering that there have been some changes in the Board this year. The Board of Directors of the company has been restructured in accordance with the provisions incorporated in the amended Memorandum of Association and Articles of Association of the company. With this restructuring of the Board, Mr. Kie An Nam, Director, who was representing KDB Capital Corporation, has retired from the Board, and Mr. Pradeep Jung Pandey has come in the Board as a new Director from one of the groups of Nepalese promoters. I welcome Mr. Pandey in the Board.

**Overview of Economies**

Dear shareholders, As I believe, all of you might have assessed the overall global, regional and national economies of this year very well since the year has turned out to be a year of exemption in every respect from the standpoint of very poor performance of the Nepalese economy. The growth rate of the national economy for the first eight months has been estimated at less than one percent this year as compared to 6.2% in year 2000/01. This is the lowest growth rate our national economy has witnessed almost in the last two decades. Therefore, we can simply assume its impacts on our business performance for this year. Likewise, the regional economy of South Asia also did not grow as expected except the economy of our neighboring country China, which has recorded a growth rate of 7.3% this year. The economies of developed countries were also recorded at very low resulting to the massive economic slowdown globally. The impacts of

the terrorist attacks on September 11 of the last year caused an economic slowdown worldwide this year. On the Nepalese front, as the consequences of this, and events on events occurring in the nation like the unbelievable massacre of our late Royal Family members in the last year, very instability in the government, the political turmoil, state of emergency in the nation throughout the year, and the domestic violence nationwide, the overall national economy suffered a lot this year.

### **Banking & Financial Sector**

While reviewing the performance of banking & financial sector during the first eight months of this fiscal year, the total resources of the commercial banks during the current year's review period have dropped by 1.6% as compared to the increase of 11.3% during the last year's similar period. The total deposit liabilities of the commercial banks have increased by a marginal growth rate of 0.4% only this year as compared to 10.9% increase last year. The saving deposits have increased by 2.9% compared to rise by 13.4% last year. Whereas, the fixed deposits have dropped by 2.2% this year contrary to 7.2% increase in the last year. Likewise, the net other liabilities of the commercial banks have dropped by 1.6% this year compared to the increase of 11.3% last year. The growth in total liquid assets of the commercial banks dropped this year as compared to the increase of 17.6% last year. Total credit and investment of the commercial banks have risen only by 5% this year as compared to 9.2% last year.

Likewise, the overall resources of other development banks have risen by 37.5% this year as compared to the last year. The total deposits of these banks have risen by 43.3% and the total credit has increased by 31.3% this year.

On the side of the finance companies, the total resources of the finance companies have increased by 18.7% as compared to the increase of 17.2% during the last year's similar period. The total deposits have increased by 21%. Likewise, the overall credit & investments have increased by 16.8% only as compared to the last year's increase by 24.8%, while the investments alone have risen by 16.6% during the year. The liquid assets have increased by 28.8% as compared to the increase of last year.

Considering the slowdown in economic activities due to prevailing external and internal factors adversely affecting the overall performances of banking & financial sectors, these results could be explained as justifiable once at the movement.

### **Business Challenges**

As of today, a total number of 16 commercial banks are operating business with their wide branch networks throughout the country. Besides, altogether 7 new development banks have

been issued license this year totaling to the number of such development banks to 16. The number of finance companies registered and licensed under the Finance Companies Act 2042 to conduct financial transactions has totaled 54. Additional 4 finance companies have been issued business-operating license during the year. Apart from this quantification, many other financial intermediaries are in existence operating various financial transactions.

On the other hand, big commercial banks are turning to retail banking with comparative lower interest rates due to lowering investment opportunities. The credit demands from the industrial as well as trade sectors are at very low resulting to the unhealthy competitions among the financial institutions for survival. Likewise, the continuing slowdown in economic activities are turning our investments to non-performing assets (NPA) and the new regulations of Nepal Rastra Bank to the finance companies have also made our forthcoming days very tough & difficult ones.

But, I would like to assure you all of you that with the timely revised strategies to cope with all these challenges, we will be able to achieve our goals with the continued & invaluable suggestions and co-operations of all my colleagues in the Board.

### **Business Overview**

The investment products of the company remained the same as in the previous years. However, due to some provisions of newly introduced Income Tax Act, 2058, the company had to discontinue its investments in operating lease finance and divert its leasing business to finance lease during the year.

The total resources collection of the company was increased by 30.56% and recorded at NRs.666 MM at the end of this fiscal year as compared to NRs.510 MM last year. The deposit collection alone was increased by 28.44% and stood at NRs.626 MM as compared to NRs.488 MM last year. Likewise, the total resources utilization was recorded at NRs.777 MM with an increase by 25.09% as compared to NRs.621 MM last year. Out of which, the total loans & advances alone was increased by 23.11% and stood at NRs.622 MM as compared to NRs.505 MM last year, and whereas, the total investment was recorded at NRs.155 with an increase by 33.77% as compared to NRs.116 MM last year.

### **Results of Operations**

Dear shareholders, I am pleased to announce that despite the various constraints, the company has recorded a net profit of NRs.10 MM for this fiscal year. However, due to the provisions of new NRB guidelines and our commitment to the securities Board in connection to the approval

which had to be obtained to hold this seventh Annual General Meeting of the company as the company already floated its initial public issue (IPO) in the month of July, 2002, the company has not declared any dividend to its shareholders for this fiscal year.

### **Financial Highlights**

	(A)	(B)	(Amount in NRs.)
	<b>FY 01/02</b>	<b>FY 00/01</b>	<b>Ratio (A/B)</b>
Total Assets	848 MM	659 MM	129 %
Total deposit & borrowing	666 MM	510 MM	131 %
Total loan Outstanding	622 MM	506 MM	123 %
Investments	155 MM	116 MM	134 %
Net worth	111 MM	90 MM	123 %
Net Profit	10 MM	14 MM	71 %

### **Future Plan**

Dear shareholders, taking into consideration the overall scenario of the current situations and down-streaming economic activities nationwide, I believe that this is not the time for our business expansions, rather it is the high-time for reviewing our existing investments and making them much more sound so as to strengthen our assets portfolio. Therefore, we should concentrate on maintaining our well-trusted corporate status. As such, we would move ahead accordingly and put every possible effort more conscientiously.

However, to maintain the business and profitably results in accordance with the increased paid up capital, we would try to promote our non-fund based merchant banking services along with our nominal investment products and services during the fiscal year 2002/03.

### **Staff members**

Dear shareholders, our staff members are of prominent importance always for all of us. Therefore, we would give highest priority for retaining our efficient staff members. I would like to inform all of you that we would initiate availing of academic and other facilities to our staff members in this year 2002/03 in accordance with the provisions of 'Staff Service Rules' of the company.

At the same time, I would also like to inform you that Mr. Bhusan SJB Rana, one of our senior staff members who had been in the service of company from the very beginning, has retired from the service of the company. On behalf of the company, I would like to thank him for his continued services in the company during the tenure.

**Vote of Thanks**

On this occasion, I would like to express my sincere thanks to the Ministry of Finance, Nepal Rastra Bank, our auditor T.R. Upadhy & Co., other related institutions and customers for their continued support and assistance. I would also like to thank the company's joint venture partner "KDB Capital Corporation" for its continued technical and other assistance. Likewise, I would like to thank our foreign partner "International Finance Corporation" for its support and assistance.

Similarly, I would like to appreciate the sincerity and hard work of the company's Managing Director and all other staff members and look forward to the similar support from all of them in the future too.

Finally, I would like to thank all the shareholders present for taking keen interest in the company's activities.

Thank You.

Signed  
**Siddheshwar Kumar Singh**  
Chairman

## International Leasing & Finance Co., Ltd.

T.R. Upadhya & Co.  
Chartered Accountants

Kh-2-862, Baneshwore Height  
Post Box No 4414  
Kathmandu, Nepal

Telephone: 977(1) 472658, 495000  
Fax: 977 (1) 474178  
Email: [kpmg@ntc.net.np](mailto:kpmg@ntc.net.np)

### Auditor's Report To the Shareholders of International Leasing and Finance Company

We have audited the attached balance sheet of International Leasing & Finance Co. Ltd, as at 16 July 2002, profit and loss account and the cash flow statement for the year ended on that date, annexed thereto, and report that:

- a) we have obtained information and explanations which, to the best of our knowledge and belief, where necessary for the purposes of our audit;
- b) the balance sheet, profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account maintained by the company;
- c) in our opinion, proper books of account as required by the law have been kept by the company so far as appears from the examination of the books;
- d) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the notes appearing thereon, give a true and fair view;
  - i) in the case of the balance sheet, of the state of affairs of the Company as at 16 July 2002;
  - ii) in the case of profit and loss account, of the profit for the year ended on that date; and
  - iii) in the case of cash flow statement, the cash flows for the year ended on that date.
- e) to the best of our information and according to the explanation given to us the board of directors or an employee of the Company have not acted contrary to legal provision relating to account or caused loss or damage to the company or committed fraud so far as appears from our examination of book; and
- f) in our opinion and according to the explanation given to us the business of the company was carried out within the purview of the Finance Company Act 2042 so far as appeared from our examination of books and adequate provision for non-performing loans were maintained as per the directives of Nepal Rastra Bank.

T R Upadhya  
*Senior Partner*

For and on behalf of  
T R Upadhya & Co  
Chartered accountants

Kathmandu  
Date: 18 September 2002

**BALANCE SHEET**  
**AS AT ASADH 32, 2059 (JULY 16, 2002)**

Capital & Liabilities	Schedules	Current year (NRs.)	Previous Year (NRs.)
<b>1. Authorized capital</b> (2,400,000 ordinary shares of Rs 100 each)		<b>240,000,000.00</b>	<b>240,000,000.00</b>
<b>Issued capital</b> (1,200,000 ordinary shares of Rs 100 each)		<b>120,000,000.00</b>	<b>120,000,000.00</b>
<b>Paid up capital</b> (900,000 ordinary shares of Rs 100 each)		<b>90,000,000.00</b>	<b>64,420,000.00</b>
<b>2. Reserves</b>			
a. General reserve		12,464,811.23	9,878,448.24
b. Other reserves		-	-
<b>3. Borrowing</b>	‘A’		
a. Nepal Rastra Bank		-	-
b. Other banks & financial institutions		39,423,643.27	22,286,471.52
<b>4. Deposits</b>	‘H’	<b>626,400,843.11</b>	<b>487,706,987.02</b>
<b>5. Current liabilities &amp; provisions</b>	‘B’	<b>71,162,385.37</b>	<b>71,106,516.82</b>
<b>6. Profit &amp; loss a/c</b>	‘C’	<b>8,652,939.10</b>	<b>3,639,744.70</b>
<b>Total capital &amp; liabilities</b>		<b>848,104,622.08</b>	<b>659,038,168.30</b>

Contingent liabilities	Current Year (NRs.)	Previous Year (NRs.)
1. Claim lodged but not accepted by the company.	-	-
2. Liabilities on guarantees issued.	-	-
3. Balance amount to be paid on investment of shares.	-	-
4. Underwriting of shares & debentures	-	5,000,000.00
5. Lease rental payable on leased assets	-	-

Signed  
**Anil Dhungel**  
Sr. Manager  
Fin. & Adm.

Signed  
**Donghyuk Kim**  
MD & CEO

Signed  
**Siddheshwar K. Singh**  
Chairman

Signed  
**Anjay Bahadur Shah**  
Director

Place: Kathmandu  
Date: 18 September 2002

**BALANCE SHEET**  
**AS AT ASADH 32, 2059 (JULY 16, 2002)**

Assets	Schedules	Current year (NRs.)	Previous Year (NRs.)
<b>1. Cash balance</b> (including cheques in hand of Rs. 1,997,652.00)		<b>2,812,901.83</b>	<b>1,729,686.18</b>
<b>2. Bank balance</b>			
a. Nepal Rastra Bank		59,261.44	12,380.27
b. Other national banks			
Saving & current account		21,127,752.42	48,785.40
Deposits		-	-
<b>3. Investment</b>			
a. HMG Bonds		150,000,000.00	90,500,000.00
b. Shares & debenture of company	'K'	4,676,000.00	130,000.00
c. Stock-in-trade		-	-
d. Other investments		-	25,000,000.00
<b>4. Loans &amp; advances</b>	'D' & 'E'	<b>622,303,074.42</b>	<b>505,489,939.51</b>
<b>5. Fixed assets</b>	'F'	<b>7,404,345.76</b>	<b>7,183,047.25</b>
<b>6. Other assets</b>	'G'	<b>39,721,286.21</b>	<b>28,944,329.69</b>
<b>7. Deferred expenses</b> (Pre-operating expenses to the extent not written off)		-	-
<b>8. Profit &amp; loss a/c</b>		-	-
<b>Total assets</b>		<b>848,104,622.08</b>	<b>659,038,168.30</b>

Notes to the accounts given in schedule "M" forms an integral part of this statement.

As per our attached report of even date

Signed  
**Ashoke SJB Rana**  
Director

Signed  
**Pradeep Jung Pandey**  
Director

Signed  
**T.R. Upadhy**  
For & on behalf of  
T.R. Upadhy & Co.  
Chartered Accountants

**PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED ASADH 32, 2059  
(JULY 16, 2001 TO JULY 16, 2002)**

Income	Schedules	Current year (NRs.)	Previous year (NRs.)
<b>1. Interest income</b>			
a. Loans & advances		78,548,911.45	54,073,790.37
b. Investment		7,654,095.88	9,204,252.52
c. Finance lease		11,697,141.48	-
<b>2. Other income</b>			
a. Lease rental		37,839,717.60	50,608,648.34
b. Merchant banking business		-	-
c. Other		-	-
<b>3. Dividend</b>		-	-
<b>4. Income from sale of stock-in-trade</b>		-	-
<b>5. Miscellaneous income</b>	'I'	<b>10,184,953.10</b>	<b>9,031,836.60</b>
<b>Total income</b>		<b>145,924,819.51</b>	<b>122,918,527.83</b>

Notes to the accounts given in schedule "M" forms an integral part of this statement.

Signed  
**Anil Dhungel**  
Sr. Manager  
Fin. & Adm.

Signed  
**Donghyuk Kim**  
MD & CEO

Signed  
**Siddheshwar K. Singh**  
Chairman

Signed  
**Anjay Bahadur Shah**  
Director

Place: Kathmandu  
Date: 18 September 2002

**PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED ASADH 32, 2059  
(JULY 16, 2001 TO JULY 16, 2002)**

Expenditure	Schedules	Current year (NRs.)	Previous year (NRs.)
<b>6. Interest expenses on</b>			
a. Deposit		1,557,564.40	41,431,021.05
b. Borrowing		1,299,521.33	1,620,808.81
<b>7. Staff expenses</b>			
a. Salary & allowances		8,932,398.03	7,861,810.54
b. Contribution to P.F.		265,242.20	209,233.10
c. Staff welfare		271,755.00	202,227.00
<b>8. Operating expenses</b>	‘J’	<b>63,960,667.25</b>	<b>45,057,386.91</b>
<b>9. Loan loss provision</b>		<b>3,371,509.22</b>	<b>4,597,542.14</b>
<b>10. Additional loan loss provision</b>	‘L’	-	-
<b>11. Provision for loss on investment</b>		<b>39,000.00</b>	<b>26,000.00</b>
<b>12. Provision for staff bonus</b>		<b>1,475,198.19</b>	<b>2,165,763.40</b>
<b>13. Miscellaneous expenses (amortization)</b>		-	<b>254,864.33</b>
<b>Total expenditure</b>		<b>131,172,837.62</b>	<b>103,426,657.28</b>

<b>14. Profit / (loss)</b>	<b>14,751,981.89</b>	<b>19,491,870.55</b>
<b>15. Provision for income tax</b>	<b>4,406,529.92</b>	<b>5,829,561.17</b>
<b>16. Profit after tax</b>	<b>10,345,451.97</b>	<b>13,662,309.38</b>
<b>17. Profit / (loss) as per last account</b>	<b>3,639,744.70</b>	<b>4,988,612.67</b>
<b>18. Profit available for appropriation</b>	<b>13,985,196.67</b>	<b>18,650,922.05</b>
<b>19. Appropriation</b>		
a. General reserve fund	2,586,362.99	3,415,577.35
b. Proposed dividend	-	11,595,600.00
c. Additional tax paid for FY 1995.96 to FY 1999/2000	2,745,894.58	-
d. Balance carried forward to balance sheet	8,652,939.10	3,639,744.70

As per our attached report of even date

Signed  
**Ashoke SJB Rana**  
Director

Signed  
**Pradeep Jung Pandey**  
Director

Signed  
**T.R. Upadhya**  
For & on behalf of  
T.R. Upadhya & Co.  
Chartered Accountants

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JULY 16, 2002**

Particulars	Current year (NRs.)	Previous year (NRs.)
<b>Cash flow from operating activities:</b>		
<b>Profit &amp; loss account</b>	<b>10,345,451.97</b>	<b>13,662,309.38</b>
<b>Adjustment:</b>		
Depreciation on leased assets	48,888,067.53	32,116,669.41
Depreciation on fixed assets	2,033,256.59	1,055,528.74
Amortization	-	254,864.33
Loan loss provision	3,371,509.22	4,597,542.14
Provision for loss on investment	39,000.00	26,000.00
Provision for staff bonus	1,475,198.19	2,165,763.40
Provision for income tax	4,406,529.92	5,829,561.17
Profit from sale of fixed assets	(41,591.10)	-
<b>Operating cash</b>	<b>70,517,422.32</b>	<b>59,708,238.57</b>
Increase / (decrease) in borrowings	17,137,171.75	22,286,471.52
Increase / (decrease) in deposit	138,693,856.09	124,804,940.50
Increase / (decrease) in current liabilities	2,534,234.72	4,918,732.80
Increase / (decrease) in interest suspense	7,473,353.16	7,591,424.94
(Increase) / decrease in loan disbursement	(165,701,202.44)	(187,591,424.94)
(Increase) / decrease in other assets	(10,776,956.52)	(14,036,002.75)
Bonus payment	(1,818,795.49)	(1,898,985.72)
Dividend payment	(11,595,600.00)	(9,000,000.00)
Payment of income tax (2000/01)	(8,575,455.75)	(4,396,099.50)
<b>Net cash from operating activities</b>	<b>37,888,027.84</b>	<b>2,729,112.39</b>
Cash flow from investing activities		
Investment in shares	(4,546,000.00)	7,400.00
Investment in govt. bonds	(59,500,000.00)	(5,000,000.00)
Purchase of fixed assets	(2,662,964.00)	(4,618,835.50)
Investment in time deposit	25,000,000.00	(25,000,000.00)
Proceeds from sale of fixed assets	450,000.00	995,073.89
<b>Net cash used in investing activities</b>	<b>(41,258,964.00)</b>	<b>(33,616,361.61)</b>
<b>Increase in share capital</b>	<b>25,580,000.00</b>	<b>19,420,000.00</b>
Net increase in cash	22,209,063.84	(11,467,249.22)
Cash at the beginning of the year	1,790,851.85	13,258,101.07
<b>Cash at the end of the year</b>	<b>23,999,915.69</b>	<b>1,790,851.85</b>

Note: Cash comprises cash, bank balances and cheques in hand.  
Notes to the accounts given in schedule "M" form an integral part of this statement.

As per our attached report of  
even date

Signed  
**Anil Dhungel**  
Sr. Manager  
Fin. & Adm.

Signed  
**Donghyuk Kim**  
MD & CEO

Signed  
**Siddheshwar K. Singh**  
Chairman

Signed  
**T R Upadhyaya**  
For & on behalf of  
T R Upadhyaya & Co.  
Chartered Accountants

Signed  
**Anjay Bahadur Shah**  
Director

Signed  
**Ashoke SJB Rana**  
Director

Signed  
**Pradeep Jung Pandey**  
Director

Place: Kathmandu  
Date: 18 September 2002

**SCHEDULES RELATED TO BALANCE SHEET  
AS AT JULY 16, 2002**

## Schedule 'A'

## OTHER RESERVES

S.No.	Particulars	Current Year (NRs.)	Previous Year (NRs.)
1.	Capital reserve	-	-
2.	Staff welfare fund	-	-
3.	Others	-	-
	<b>Total</b>	-	-

## Schedule 'B'

## DETAILS OF DEPOSITS

S.No.	Particulars	A/C No.	Current Year (NRs.)	Previous Year (NRs.)
1	3 Months	4	1,690,860.00	31,012,025.00
2	6 Months	12	10,205,742.00	8,926,875.00
3	9 Months	3	1,000,000.00	-
4	1 Year	161	133,700,798.00	91,433,936.00
5	2 Years	250	378,472,702.00	281,549,604.00
6	3 Years	49	30,058,464.00	27,186,855.00
7	4 Years	5	1,019,780.00	1,141,780.00
8	5 Years	268	47,520,526.00	14,949,793.00
9	Special deposits	88	22,731,971.11	31,506,119.02
	<b>Total</b>	<b>840</b>	<b>626,400,843.11</b>	<b>487,706,987.02</b>

## DETAILS OF DEPOSIT SCHEMES

S.No.	Particulars	A/c No.	Current year (NRs.)	Previous year (NRs.)
1	Fixed deposits	274	418,645,853.00	270,923,874.00
2	Cumulative deposits	451	184,355,783.00	184,556,746.00
3	Recurring deposits	27	667,236.00	720,248.00
4	Special deposits	88	22,731,971.11	31,506,119.02
	<b>Total</b>	<b>840</b>	<b>626,400,843.11</b>	<b>487,706,987.02</b>

**Schedule 'C'**

**CURRENT LIABILITIES & PROVISIONS**

S.No.	Particulars	Current Year (NRs.)	Previous Year (NRs.)
1.	<b>Current liabilities</b>		
	a. Sundry creditors	3,011,093.40	3,134,517.02
	b. Interest payable on deposits	19,330,578.00	15,086,269.59
	c. Interest payable on borrowing	154,219.65	-
	d. Tax deducted at source	580,418.64	12,025.36
	e. Key money	3,487,750.00	5,797,013.00
2.	<b>Provisions</b>		
	a. Loan loss	18,459,658.41	15,088,149.19
	b. Loss on investment	65,000.00	26,000.00
	c. Staff bonus	1,822,166.10	2,165,763.40
	d. Interest suspense	19,844,971.25	12,371,618.09
	e. Income tax	4,406,529.92	5,829,561.17
	f. Proposed dividend	-	11,595,600.00
	<b>Total</b>	<b>71,162,385.37</b>	<b>71,106,516.82</b>

**Schedule 'D'**

**LOANS & ADVANCES**

S.No.	Particulars	Current Year (NRs.)	Previous Year (NRs.)
1.	Finance lease	191,438,836.79	127,512,027.05
2.	Hire purchase loan	217,000,378.52	190,500,748.07
3.	Housing loan	53,262,180.34	63,241,779.88
4.	Term loan	153,843,732.51	120,311,360.37
5.	Loan against fixed deposit	6,757,946.26	3,924,024.14
	<b>Total</b>	<b>622,303,074.42</b>	<b>505,489,939.51</b>

**Schedule 'E'**

**CLASSIFICATION OF LOANS, ADVANCES & PROVISIONS**

S.No.	Particulars	Current Year (NRs.)	Previous Year (NRs.)
<b>A</b>	<b>Loans &amp; advances</b>		-
1	Good	598,774,240.21	501,625,245.58
2	Substandard	6,230,163.85	636,946.42
3	Doubtful	12,768,590.63	389,741.78
4	Bad	4,530,079.73	2,838,005.73
	<b>Total loans</b>	<b>622,303,074.42</b>	<b>505,489,939.51</b>
<b>B</b>	<b>Loan loss provision</b>		
1	Good	5,987,742.40	11,896,035.96
2	Substandard	1,557,540.96	159,236.61
3	Doubtful	6,384,295.32	194,870.89
4	Bad	4,530,079.73	2,838,005.73
	<b>Total provisions</b>	<b>18,459,658.41</b>	<b>15,088,149.19</b>

## Schedule 'F'

## FIXED ASSETS

(In NRs.)

Particulars		Fixed assets				
		Furniture & fixtures	Office equipment	Computer	Vehicle	Total
<b>Gross block</b>	Balance as at July 16, 2001	2,280,952.90	1,201,478.99	1,623,604.50	6,101,560.00	<b>11,207,596.36</b>
	Addition during the year	47,700.00	51,644.00	18,920.00	2,544,700.00	<b>2,662,964.00</b>
	Deduction during the year	-	-	-	1,070,000.00	<b>1,070,000.00</b>
	Cost as at July 16, 2002	2,328,652.90	1,253,122.99	1,642,524.50	7,576,260.00	<b>12,800,560.39</b>
<b>Depreciation</b>	Balance as at July 16, 2001	1,143,008.30	498,760.57	789,257.10	1,548,523.17	<b>4,024,549.14</b>
	Addition during the year	295,869.48	184,507.29	209,490.21	1,343,389.61	<b>2,033,256.59</b>
	Deduction during the year	-	-	-	661,591.10	<b>661,591.10</b>
	Total upto July 16, 2002	1,438,877.78	683,267.86	1,007,747.31	2,266,321.68	<b>5,396,214.63</b>
<b>Net block</b>	As at July 16, 2002	889,775.12	569,855.13	634,777.19	5,309,938.32	<b>7,404,345.76</b>
	As at July 15, 2001	1,137,944.60	702,718.42	825,347.40	4,517,036.83	<b>7,183,047.25</b>

**Schedule 'G'**

**OTHER ASSETS**

S.No.	Particulars	Current year (NRs.)	Previous year (NRs.)
1	Interest receivable on loan	30,439,701.16	15,022,793.43
2	Interest receivable on investment	1,920,416.67	1,550,818.50
3	Staff advances	276,976.00	343,343.50
4	Sundry debtors	457,760.26	319,619.62
5	Deposits	107,725.00	141,725.00
6	Advance payment	815,814.48	816,462.71
7	Advance income tax	4,287,877.64	5,342,296.93
8	Deposits against income tax	-	3,992,255.00
9	Non – banking assets	1,415,015.00	1,415,015.00
	<b>Total</b>	<b>39,721,286.21</b>	<b>28,944,329.69</b>

**Schedule 'H'**

**BORROWING**

S.No.	Particulars	Current Year (NRs.)	Previous Year (NRs.)
<b>A</b>	<b>Secured borrowing</b>		-
1	Commercial banks		
	a. Overdraft	39,423,643.27	22,286,471.51
	b. Demand loan	-	-
2	Financial institutions	-	-
3	Debentures	-	-
4	Others	-	-
<b>B</b>	<b>Unsecured borrowing</b>		
1	Commercial banks	-	-
2	Financial institutions	-	-
	<b>Total</b>	<b>39,423,643.27</b>	<b>22,286,471.51</b>

**Schedule 'I'**

**MISCELLANEOUS INCOME**

S.No.	Particulars	Current years (NRs.)	Previous year (NRs.)
1	Service charges	2,332,467.25	1,742,133.99
2	Management fees	7,810,894.75	6,997,021.00
3	Profit on sale of fixed assets	41,591.10	292,681.61
	<b>Total</b>	<b>10,184,953.10</b>	<b>9,031,836.60</b>

**Schedule 'J'**

**OFFICE OPERATING EXPENSES**

S.No.	Particulars	Current years (NRs.)	Previous year (NRs.)
1	House rent	1,879,200.00	1,843,200.00
2	Water, lighting & heating	260,683.17	229,390.54
3	Repair & maintenance	265,929.10	345,039.80
4	Insurance	102,019.11	62,712.07
5	Postage, telex & telephone	813,601.94	809,067.55
6	Office E & F (non capitalized)	15,000.00	12,250.00
7	Traveling & transportation	389,439.16	468,273.95
8	Printing & stationery	187,305.90	167,679.48
9	Books & periodicals	1,910.00	3,860.00
10	Advertisement	300,283.80	523,985.80
11	Subscription	43,790.00	42,143.00
12	Registration fee	58,715.04	43,400.04
13	Donation & gifts	159,905.00	57,760.00
14	Fuel & lubricants	477,639.00	402,156.90
15	Office supplies	107,800.00	79,359.01
16	Entertainment expenses	343,018.59	297,975.28
17	Business promotion	587,636.62	224,384.94
18	Management fee	4,672,750.00	4,254,000.24
19	Board meeting fee & expenses	32,500.00	60,000.00
20	Audit fee & expenses	94,949.50	89,571.79
21	Legal & consulting expenses	161,000.00	141,000.00
22	Bank charges	5,493.64	4,056.64
23	Taxes & duties	99,982.00	57,116.00
24	Incidental expenses of expatriate	1,268,337.00	1,262,870.07
25	Training expenses	97,772.67	222,851.50
26	Depreciation (in house assets)	2,033,256.59	1,055,528.74
27	Depreciation (leased assets)	48,888,067.53	32,116,669.41
28	Sundries	111,973.00	102,147.00
29	General meeting expenses	47,701.14	78,937.16
30	Special duty	453,007.75	-
	<b>Total</b>	<b>63,960,667.25</b>	<b>45,057,386.91</b>

**Schedule 'K'**

**INVESTMENT IN SHARES & DEBENTURES**

S.No.	Particulars	Cost Price (NRs.)	Market Price (NRs.)
<b>1</b>	<b>Investment in shares</b>		
a	Taragaon Regency Hotel Ltd. (1300, 18% Cumulative redeemable preference share so Rs. 100 each)	130,000.00	65,000.00
b	Himalayan Distillery Pvt. Ltd. (44,710 ordinary shares of Rs. 100 each)	4,471,000.00	-
c	Nepal Industrial & Commercial Bank Ltd. (750 ordinary shares @ Rs. 100 each)	75,000.00	187,500.00
<b>2</b>	<b>Investment in debentures</b>	-	-
	<b>Total</b>	<b>4,676,000.00</b>	<b>252,500.00</b>

## Schedule 'L'

## LOAN LOSS PROVISION

S.No.	Particulars	Amount		Loan loss provision	
		Current year (NRs.)	Previous year (NRs.)	Current year (NRs.)	Previous year (NRs.)
1	Excess loan disbursed (in terms of single client limit)	-	-	-	-
2	Excess loan disbursed (in terms of sectoral limit)	-	-	-	-
3	Excess loan disbursed (in terms of sub sectoral limit)	-	-	-	-
4	Others	-	-	-	-
	<b>Total</b>	-	-	-	-

## DETAILS OF LEASE RENTAL OUTSTANDING

S.No.	Particulars	Current years (NRs.)	Previous year (NRs.)
1	Vehicles	-	92,755,180.00
2	Plant machinery & equipment	-	31,150,975.46
	<b>Total</b>	-	<b>123,906,155.46</b>

## CLASSIFICATION OF LEASE RENTAL OUTSTANDING

S.No.	Particulars	Current years (NRs.)	Previous year (NRs.)
1	Good	-	123,897,141.68
2	Substandard	-	-
3	Doubtful	-	9,013.78
4	Bad	-	-
	<b>Total</b>	-	<b>123,906,155.46</b>

Schedule 'M'

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT  
AS AT JULY 16, 2002 (ASADH 32, 2059)**

**1. Significant Accounting Policies**

**i) Basis of preparation**

The financial statements have been prepared in conformity with the generally accepted accounting principles in Nepal (except where stated to the contrary) and other pronouncement to conform to the Company Act, 2053, Finance Company Act, 2042 and the directives of Nepal Rastra Bank.

**ii) Interest income**

Interest income on loans and advances are recognized as incomes on accrual basis except interest overdue in excess of three months from the due date are recognized on cash basis.

Interest income on investment is accounted for on accrual basis.

**iii) Interest expense**

Interest on deposits and borrowings from other banks are accounted for on accrual basis.

**iv) Loans and advances**

Loans and advances are subject to regular scrutiny and classified in accordance with the directives issued by Nepal Rastra Bank.

**v) Loan loss provision**

General Provisions are maintained for losses which, although not specifically identified, are known from experience to be inherent in any asset portfolio. The level of loan loss provision is determined from 1% to 100% on the basis of classification of loans and advances in accordance with the directives of Nepal Rastra Bank.

**vi) Investments**

Investments in HMG Bonds are those, which the Company purchased with the positive intent and ability to hold until maturity. Such securities are recorded at cost.

Investments in shares of companies are recorded at cost or market price, whichever is lower.

The diminution in the cost of investment in shares of companies listed in the stock exchange is provided for.

HMG Bonds amounting to NRs. 75 million have been pledged with banks against secured loans.

**vii) Fixed assets**

Fixed assets are carried at cost less accumulated depreciation.

Assets are depreciated at the rates prescribed by Income Tax Act, 2058 using the written down value method.

Equipment, furniture & fixtures with a unit value of NRs. 5,000.00 or less are expended off in the year of purchase.

**viii) Depreciation on leased assets**

Terminal depreciation on leased assets is charged as prescribed in Income Tax Rules, 2039 over the period from July 16, 2001 to March 31, 2002.

**ix) Provision for taxation**

Provision for taxation has been made in accordance with the requirement of the Income Tax Act, 2058.

**x) Special duty**

Special duty at the rate of three percent has been charged on net taxable income of the Company.

**xi) Others**

Where necessary, amounts shown for the previous year have been reclassified to facilitate comparison.

**2. Tax matters**

Tax return filed by the Company under self – tax assessment procedure for the fiscal year 2057/58 (2000/2001) is pending final assessment by the Tax Office.

**3. Employee housing fund**

Provision for staff housing as per requirement of the Labour Act, 2048 has not been made in line with the practice followed by other financial institutions.

**4. Change in depreciation rate**

With the change in the rate of depreciation on fixed assets as per Income Tax Act, 2058, an additional depreciation of NRs. 668,024.60 has been charged in the profit and loss account.

**5. Events occurring after the Balance Sheet date**

Loans & advances settled subsequent to the Balance Sheet date have been considered good and accordingly provided for.